GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT RESPONSE TO DAKOTA SEEDS AND PROOF OF CONCEPT REPORT – STULKEN, PETERSEN, LINGLE, WALTI & JONES LLP

Finding 3.a. (Proof of Concept)
Four files were noted for not containing copies of quarterly progress reports as required by the agreement.

Response:
GOED's initial proof of concept agreements contained language requiring quarterly progress reports. Given the short timeframes of the agreements GOED determined that quarterly reports were not appropriate; however, the existing agreements were not formally amended to remove the requirement.

Corrective Action:
GOED eliminated the quarterly report requirement. Given the short timeframes of the agreements it's more appropriate to have one report due at the conclusion of the agreement.

Finding 3.b. (Dakota Seeds)
Seven files were noted for interns working outside of the approved date range included in the agreement. The employment reports contained in these files covered the term of the agreement, but they also included follow-on employment for the intern which extended beyond the term of the agreement.

Response: GOED accepted the employment reports as satisfactory evidence of the employer's fulfillment of the terms of the agreements. The intent of the program is to entice and promote the hiring of interns. As indicated in the finding, the employment reports covered the term of the agreement, in addition to follow-on employment, and they also demonstrated that the necessary wages were paid to the interns, satisfying the core requirements of the program. Given the foregoing, GOED did not deem it necessary to either amend the agreements to cover the exact term shown by the employment agreement or to require the employer to resubmit the employment report covering only the term shown in the agreement.

Corrective Action: GOED will change its agreement to build in more flexibility for both the employer and intern, while also including the provisions necessary to ensure

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compliance with the core requirements of the program.

Finding 3.c. (*Dakota Seeds*)
One file was noted for reimbursing two months' worth of wages twice. However, the company was not reimbursed more than the annual limit per the agreement as the student's total wages exceeded the reimbursement cap.

> **Response:** GOED inadvertently accepted the same wage report for two different months. However, as indicated in the finding, the wages were in fact paid and the correct amounts were paid to the employer.

> **Corrective Action:** Adequate controls were already in place to reduce the likelihood of this type of error. Each payment request is required to be reviewed by both the Grant Administrator at GOED and a staff member of SDSU. Requiring two separate individuals to review and approve payment requests greatly reduces the potential for oversight, but mistakes can still happen, as was the case in this instance.

Finding 3.d. (*Dakota Seeds*)
Thirty-one files were noted for not containing the student completion reports required to be submitted on the Dakota Seeds website per the agreements.

> **Response:** The student reports are gathered by GOED to collect demographic data for reporting and tracking purposes. While the student reports are listed as a requirement in the agreement, the students submit the report and the students are not a party to the agreement. Consequently, GOED lacks the ability to require the students to submit the report and it was incorrect to have this requirement listed in the agreements.

> **Corrective Action**: The student report requirement has been removed from the agreement. The employers are encouraged to have their interns submit the report but it's no longer required under the agreement.

Finding 4.a. (*Dakota Seeds)*
One disbursement in the amount of $4042.91 was issued by SDSU to an entity other than the grantee. The payee was a sister company of the grantee and the grantee later confirmed the payment in the amount of $4,042.91 had been forwarded to the grantee from the payee.

> **Response:** As indicated in the finding, SDSU inadvertently issued payment to a sister company of the grantee and not the grantee. The error was corrected internally by the company and GOED secured documentation indicating the correction was made and the grantee received the payment.

> **Corrective Action:** Adequate controls were already in place to reduce the likelihood of this type of error. Each payment request is required to be reviewed by both the Grant Administrator at GOED and a staff member of SDSU. Requiring two separate individuals to review and approve payment requests greatly reduces the potential for oversight, but mistakes can still happen, as was the case in this instance.

Finding 4.b. (Dakota Seeds)
One file contained a disbursement in excess of 50% of the compensation provided to the student. Per the agreement, the company was supposed to be reimbursed up to 50% of the student's wage, not to exceed $2,000. In this instance, the company was reimbursed for 50% of the company's collective expenses for the two interns, instead of each intern individually, resulting in an overpayment of $189.96.

> **Response**: Student 1 reported earnings of $4,379.92 and student 2 reported earnings of $2,517.72. The company was reimbursed for 50% of the total wages paid, or $3,448.82, resulting in the company receiving in excess of $2,000 for student 1. The company should have been reimbursed for each student separately which would have resulted in a reimbursement of $2,000 for student 1 instead of $2,189.86 and $1,258.86 for student 2, which was the amount paid, for a total of $3,258.86. Consequently, the company received $189.96 more than it should have received.

> **Corrective Action:** Adequate controls were already in place to reduce the likelihood of this type of error. Each payment request is required to be reviewed by both the Grant Administrator at GOED and a staff member of SDSU. Requiring two separate individuals to review and approve payment requests greatly reduces the potential for oversight, but mistakes can still happen, as was the case in this instance.